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SIPDIS

DEPARTMENT FOR AF/EPS, EEB/TPP, AND DRL

SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [ZA](#)

SUBJECT: INPUT FOR PRESIDENT'S REPORT ON AGOA

REF: SECSTATE 20082

¶1. Summary. This cable is a response to the reftel action request, regarding input for the 2008 President's Report on AGOA. Zambia is currently eligible for AGOA trade benefits, including textile and apparel benefits. There have been no significant developments since the 2007 report that would appear to disqualify Zambia from AGOA eligibility. Zambia's ability to take advantage of AGOA benefits has been limited, due in part to high transportation costs. End Summary.

Market Economy/Economic Reform/Elimination of Trade Barriers:

¶2. Zambia has made significant progress toward macroeconomic stabilization. Zambia experienced positive economic growth for the ninth consecutive year in 2007 with a GDP of USD 10.9 billion and a real growth rate of six percent (according to preliminary IMF estimates). The rate of inflation dropped from 30 percent in 2000 to 8.9 percent by December 2007 due to fiscal and monetary discipline and the growth of the domestic food supply. Zambia has qualified for substantial HIPC and G-8 debt relief programs. Although it did not qualify for an MCA Compact due to its performance on corruption, Zambia will complete its MCA Threshold Program in mid-2008, and is likely to commence a second Threshold Program in late 2008.

¶3. Zambia has liberalized markets and most prices are market-driven. Many trade barriers have been reduced and direct import and export subsidies have been removed, although the Government still imposes import and export bans on key agricultural commodities and offers subsidized fertilizer and, in some cases, seed to farmers. Zambia continues to work toward lower trade barriers regionally, especially through the COMESA Free Trade Area. Most state-owned companies have been privatized. However, key industries such as power generation, telecommunications, and oil refining remain under government monopoly control, and as a result, these services are inefficient, resulting recently in an electrical power crisis that is likely to last for years, and regularly recurring fuel shortages.

¶4. Zambia is seeking increased private sector investment by offering generous incentives to both local and foreign investors, such as tax holidays and non-resident employment permits. However, the Government announced plans to change the tax regime for the mining sector, which if implemented as planned would violate the contractual obligations made by the Government in Development Agreements for large copper mining projects.

Political Pluralism/Rule of Law/Anti-Corruption:

¶5. Zambia has held four free, multiparty elections since 1991. International election observers agreed that the 2006 elections were generally free and fair. At the outset of his presidency in 2001, President Mwanawasa launched an anti-corruption campaign to prosecute high-level corruption during the administration of former President Chiluba. Trials in these cases are underway, and have resulted in three convictions and one successful civil suit against former President Chiluba. The Zambian Government is instituting

programs to reduce the rampant levels of administrative corruption.

¶16. Good governance reforms affecting a broad range of Zambian Government institutions are underway, including review of the constitution, Parliamentary and judicial reforms, and strengthening of public sector management. The constitution and law provide for an independent judiciary; however, the judicial system is hampered by inefficiency, corruption, and lack of resources. There are lengthy delays before trials. In 2007 the courts continued to act independently and at times made judgments and rulings critical of the government.

Poverty Reduction:

¶17. In its implementation of economic reforms, the Government has shown a commitment to poverty reduction. In the 2008 budget and the five-year National Development Plan, continuing its poverty reduction strategy's emphasis on economic growth, the Government seeks to diversify the economy and create jobs, with a growing focus on agriculture; but the strategy remains strongly infused with socialist entitlements that continue to hinder meaningful growth and impede the reduction of poverty. HIV/AIDS presents a major challenge to economic development and poverty reduction. The Government is leading the response to the epidemic, but depends on significant donor support in the health sector.

Labor/Child Labor:

¶18. Unions remain a significant force in civil society and play a prominent role in public debate over political issues. Although workers' rights are legally protected, and an Industrial Relations Court adjudicates complaints, the law governing workers' rights of association and collective bargaining prescribe burdensome

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procedures that make legal strikes almost impossible. In addition, the enforcement of the labor law generally remains weak. Zambia has ratified all eight core ILO labor Conventions.

¶19. The legal minimum age for employment is 15 for regular labor and 18 for hazardous labor. Children between the ages of 12 and 14 are allowed to perform "light" work that is not hazardous to their health and does not interfere with their schooling. A recent International Labor Organization (ILO) study found that over 1.2 million five to 14 year-olds are working in Zambia, a figure that represents 39 percent of the age group. Children generally work in agriculture, domestic service, transportation, and in the hospitality industry, and some are also exploited in prostitution and trafficked for commercial sexual exploitation. The Government has taken several steps to address Zambia's child labor problem, including participating in several U.S. Department of Labor-funded programs that aim to eliminate the worst forms of child labor in the country, supporting professional training programs for young people, and adapting school curricula to students who enter schooling late or drop out due to their need to work.

MARTINEZ